DEFENSE BUSINESS BOARD

Report to the Secretary of Defense

BUSINESS MANAGEMENT MODERNIZATION PROGRAM TASK GROUP

Report FY05-2

- **Recommendations on Realignment of Business Management Modernization Program (BMMP)**

May 2005

		Form Approved
Report Documentation Page		*Form Approved* *OMB No. 0704-0188*

1. REPORT DATE **MAY 2005**	2. REPORT TYPE	3. DATES COVERED **00-00-2005 to 00-00-2005**
4. TITLE AND SUBTITLE **Business Management Modernization Program Task Group**		5a. CONTRACT NUMBER
		5b. GRANT NUMBER
		5c. PROGRAM ELEMENT NUMBER
6. AUTHOR(S)		5d. PROJECT NUMBER
		5e. TASK NUMBER
		5f. WORK UNIT NUMBER
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) **Defense Business Board,1155 Defense Pentagon,Washington,DC,20301-1155**		8. PERFORMING ORGANIZATION REPORT NUMBER
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)
12. DISTRIBUTION/AVAILABILITY STATEMENT **Approved for public release; distribution unlimited**		
13. SUPPLEMENTARY NOTES		
14. ABSTRACT		
15. SUBJECT TERMS		

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT **unclassified**	b. ABSTRACT **unclassified**	c. THIS PAGE **unclassified**	**Same as Report (SAR)**	**30**	

Standard Form 298 (Rev. 8-98)
Prescribed by ANSI Std Z39-18

BUSINESS SYSTEMS MODERNIZATION PROGRAM
TASK GROUP REPORT

TASK

In support of the Department of Defense's ongoing transformation efforts, at the request of the Deputy Secretary of Defense, and the endorsement of the Under Secretary of Defense (Comptroller), the Defense Business Board (DBB) formed a Task Group to provide an assessment of the Department's strategic approach to the realignment of the Business Management Modernization Program (BMMP), and to give feedback on the Congressionally mandated deliverables as required by the Defense Business Systems Management Committee (DBSMC).

Specifically, the Task Group was asked to review the approach designed by the Department of Defense for the realignment of BMMP including vision, goals, objectives and direction of the project.

Per the Terms of Reference for this Task Group, the deliverables were to provide:

1. An assessment of the Department's strategic approach to the realignment of BMMP, to include: recommended changes to that approach; and additional key issues that need to be taken to drive program success, that may have been overlooked.

2. Timely and valuable feedback on Congressionally-mandated deliverables required by the Defense Business Systems Management Committee, as requested.

PROCESS

The tasks were performed by the DBB's BMMP Task Group.

Task Group Chairman: Ed McVaney
Task Group Members: Neil Albert, Bob Hale, Mort Zuckerman
Task Group DoD Liaison: Thomas Modly, Under Secretary for Defense (Financial Management), Paul Brinkley, Special Assistant to the Under Secretary of Defense (AT&L)

Task Group Executive Secretaries: Stephan Smith (DBB Staff Assistant) and Kelly Van Niman (DBB Executive Director)

The Task Group received briefings from the Liaisons regarding the transition strategy for BMMP. The Task Group also held several teleconference discussions with key players involved with the BMMP realignment, and combed through many documents relating to BMMP plans and priorities.

In March 2005, the Deputy Secretary of Defense transferred program management of BMMP from the Under Secretary of Defense (Comptroller) to the Under Secretary of Defense (Acquisition, Technology and Logistics) (AT&L). This move was necessary to facilitate better cost, schedule, and performance management for the critical DoD enterprise business systems programs, that were being directed through the Defense Business Systems Management Committee (DBSMC). The DBSMC is chaired by the Deputy Secretary, and the Under Secretary of Defense for AT&L serves as the Vice Chair.

The Board deliberated on the Task Group's findings and recommendations during its May 6, 2005 meeting, and interim recommendations regarding short-term goals and timelines were agreed upon. The Board envisioned these recommendations (see **Appendix A** of this report) to be followed by additional advice throughout the year. However, no additional recommendations were delivered during 2005.

RESULTS

The overarching conclusion of the DBB was that the Department needed to establish a clear and coherent vision and short-term goals for BMMP. Whereas the Board agreed with the new enterprise approach for governing BMMP, the overall success of this Department-wide business transformation effort would be at risk without such an end-state vision.

The Board's recommendations were delivered to senior Department officials in a timely fashion, allowing them to consider and incorporate them into the BMMP Enterprise Transition Plan, which was submitted to Congress on September 28, 2005. **Appendix B** contains a detailed status

of acceptance and implementation of the DBB's recommendations as of October 2005.

The DBB looks forward to continuing to provide best practices advice to the Department in support of the implementation of this historic business transformation effort.

RECOMMENDATIONS

1. Establish a clear and coherent vision

2. Establish short-term goals

3. DoD Leadership needs to define a capabilities/requirements timeline to drive systems availability

4. Establish a Business Management Chief Information Officer

5. Investment Review Boards need to provide clear and coherent guidance regarding implementation of the Clinger Cohen Act

6. Incorporate BMMP Program Executive Office into the transition plan

7. Establish definitions for capability portfolios

8. Utilize existing systems to gain momentum for the program

9. Define capability risks and how to mitigate them

UPDATE AND CONCLUSION

On October 7, 2005 the Acting Deputy Secretary of Defense established the Defense Business Transformation Agency (BTA). The agency is responsible for integrating the work of the OSD Principal Staff Assistants regarding business process re-engineering, core business mission activities, ensuring consistency and continuity across the core business missions of the department. Until a permanent director is named,

the Deputy Under Secretary of Defense for Business Transformation and the Deputy Under Secretary of Defense for Financial Management will co-lead the agency, reporting to the Under Secretary of Defense (AT&L).

An Enterprise Transition Plan was submitted to Congress on September 28, 2005. The plan provides an overview of business transformation at the enterprise and component levels, while also providing plan details and an enterprise program baseline. The program has established a set of DoD enterprise priorities for new systems and capabilities and it has established a tiered approach with the Components to guide the further development of the enterprise architecture.

The Task Group will continue to review the execution of the DoD Enterprise Transition Plan and provide feedback as requested by the Deputy Secretary of Defense.

Respectively submitted,

C. Edward McVaney

APPENDIX A:

Defense Business Board Report

(May 2005)

Realignment of the Business Management Modernization Program (BMMP)

Part I Final Report
May 6, 2005

DBB Task Group

Edward McVaney (Task Group Chairman)

Neil Albert

Bob Hale

Mort Zuckerman

Kelly Van Niman (DBB Executive Director (Acting))

Stephan Smith (DBB Staff Assistant)

DoD Liaisons

Thomas Modly, Under Secretary for Defense (Financial Management)

Paul Brinkley, Special Assistant to the Under Secretary of Defense (AT&L)

<u>Terms of Reference</u>

➢ Provide ongoing feedback and guidance on the implementation of the BMMP realignment and governance, offering insights based on private-sector best practices that could facilitate program success.

➢ Review the approach designed by the Department for the realignment of the Business Management Modernization Program (BMMP), specifically addressing the vision, goals, objectives and direction of the project.

➢ Specific deliverables for the Task Group include, but may not be limited to the following:

    1. An assessment of the Department's strategic approach of the realignment of BMMP, to include recommended changes to that approach and additional key issues that need to be taken to drive program success, that may have been overlooked.

    2. Timely and valuable feedback on Congressionally-mandated deliverables required by the Defense Business Systems Management Committee, as requested.

Review Process

1. Received briefings from Tom Modly and Paul Brinkley:

    - Achieving Transformation (February 2005)

    - DoD BMMP: Program Realignment & Financial Impacts

2. Reviewed the following documents:

    - Congressional Report: "Status of the Department of Defense's Business Management Modernization Program" (March 15, 2005)

    - Interim Enterprise Transition Plan & Program Baseline (Version 1.0, April 7, 2005)

<u>Acronyms</u>

➢ **ACAT** – Acquisition Category

➢ **AT&L** – Acquisition, Technology and Logistics

➢ **BMMP** – Business Management Modernization Program

➢ **CCA** – The Clinger-Cohen Act, which is more commonly known as the Information Technology Management Reform Act (ITMRA) of 1996. CCA took effect on August 8, 1996 and abolished the Brooks Act.

➢ **CIO** – Chief Information Officer

➢ **DBSMC** – Defense Business Systems Management Committee

➢ **DCD/DCW** – Defense Finance and Accounting Service (DFAS) Corporate Database/DFAS Corporate Warehouse

➢ **IRB** – Investment Review Board

➢ **MAIS** – Major Automated Information System

➢ **OIPT** – Overarching Integrated Product Team

➢ **OMB** – Office of Management & Budget

➢ **OSD** – Office of the Secretary of Defense

➢ **P&R** – Personnel & Readiness

➢ **PEO** – Program Executive Office

Observation Areas

Part I
(May)

Part II
(July)

Vision	◯
Governance	◯
Approach	◯
Objectives	◯
Goals	◯
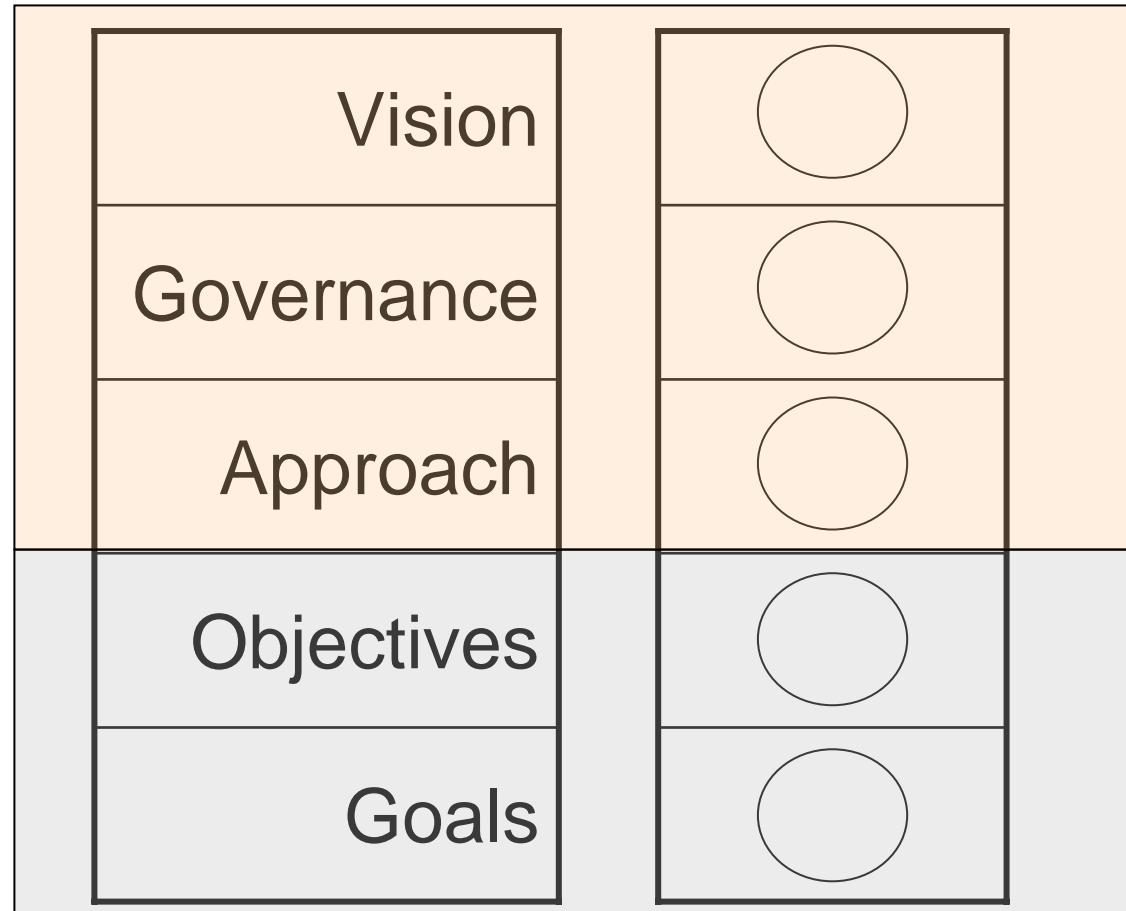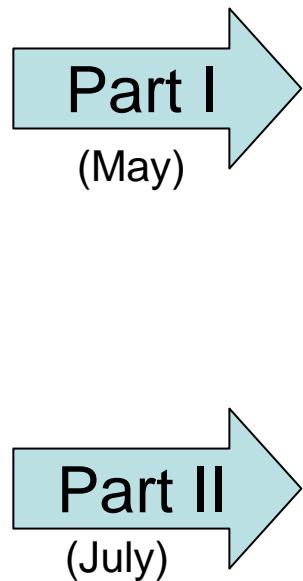
General Observations

1. Congressional Requirements
    - March 2005
    - September 2005

2. Vision
    - Not clear

3. Reorganization
    - Development of the DBSMC is a significant step forward
        - ➤ may have too much senior leadership
    - Enterprise Approach
        - ➤ From DOD Enterprise perspective: allows for deliverables to be met
        - ➤ From Component perspective: allows the components to continue developing the systems they need to meet their own objectives
            - ✓ authority
            - ✓ responsibility
    - PEO and centralization of DoD Enterprise resources will strengthen program management of BMMP

<u>General Observations</u>

4. Project Scope

   - Need short-term goals
   - Focus on financial management and management information

5. Parallel between the four business domains (AT&L, Comptroller, P&R and NII) and the Investment Review Boards is good.

   - Offers a greater assurance that all elements of the program are being addressed
   - Allows for the opportunity to assign primary and secondary leads for each system
   - Ensures consistency of approach

Realignment of the Business Management
Modernization Program (BMMP) – Part I

Recommendations: BMMP Realignment (Part I)

Current Status

Vision	R
Governance	G
Approach	Y
Objectives	
Goals	

BMMP Realignment: PART II

Realignment of the Business Management
Modernization Program (BMMP) – Part I
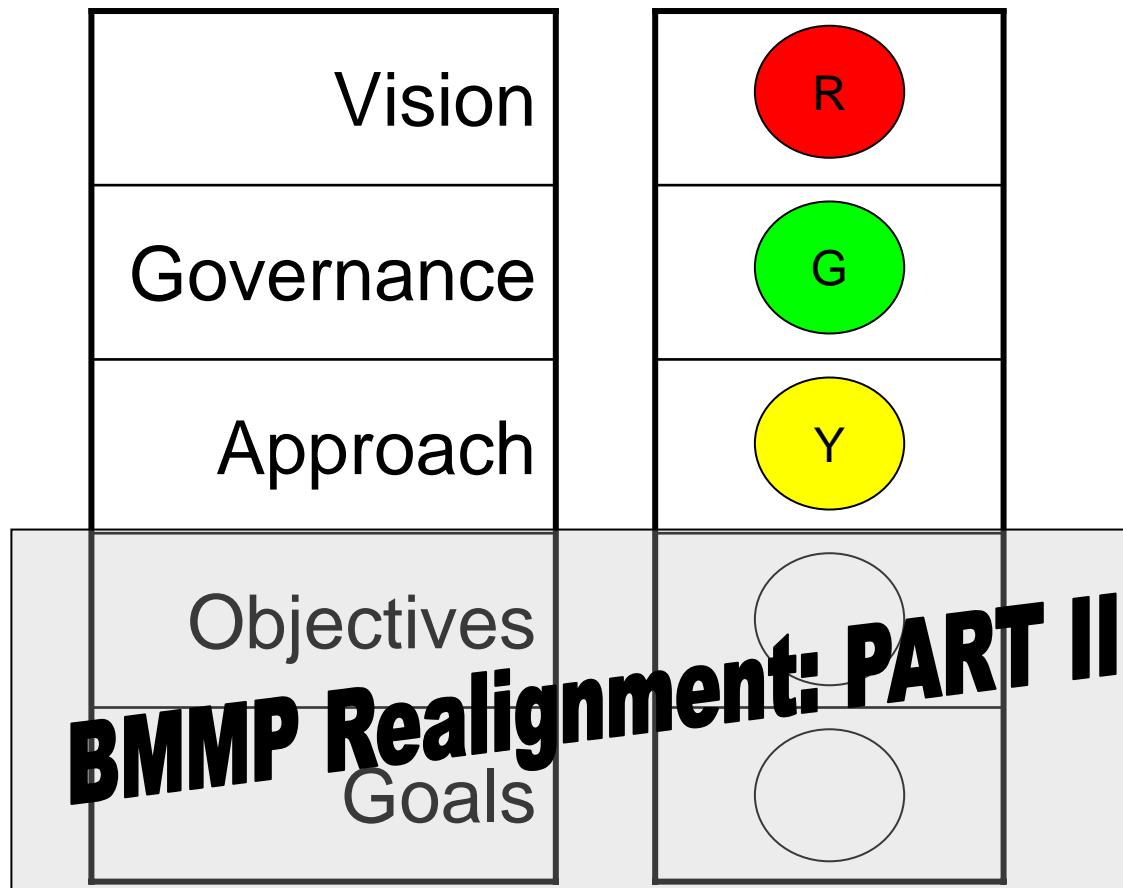
General Recommendations
(Details at Appendix A)

1. Establish a clear and coherent vision. (Vision)

2. Establish short-term goals (Approach)

Specific Recommendations
(Details at Appendix A)

3. DoD Leadership needs to define a capabilities/requirements timeline to drive systems availability. (Governance)

4. Establish a Business Management CIO. (Governance)

5. IRBs need to provide clear and coherent guidance regarding implementation of the Clinger Cohen Act. (Governance)

6. Incorporate BMMP PEO into the transition plan. (Governance)

7. Establish definitions for capability portfolios. (Approach)

8. Utilize existing systems to gain momentum for the program. (Approach)

9. Define <u>capability</u> risks and how to mitigate them. (Approach)

Realignment of the Business Management
Modernization Program (BMMP) – Part I

Next Steps

- The Task Group will reassess areas identified in this report (Part I) and provide an update at the July 2005 DBB Meeting.

- Begin Part II of the BMMP Realignment review and provide interim findings and recommendations at the July 2005 DBB Meeting.

- Provide feedback prior to the September 30, 2005 Congressional requirement regarding the deliverables and incremental milestones for BMMP as well as the integration of the DoD Enterprise plan with the Components' plans.

Appendix A

Recommendations (Details)

Recommendations
(Vision)

1. Establish a clear and coherent vision.

- The Task Group believes that the vision for BMMP is not clearly articulated.

- While the March 15, 2005 Congressional Report and the "Interim Enterprise Transition Plan & Program Baseline" do address the vision of the program, the Task Group believes that additional work needs to be done in this area.

- Setting a vision for the program means you have a goal for the end game. Recommend a clearer vision which can be established against a point in time.

- This way capabilities can be assessed as to whether they can be achieved or delayed until further funding, technology or need is required.

2. Establish short-term goals

Recommendations
(Governance)

3. DoD Leadership needs to define a capabilities/requirements timeline to drive systems availability.

- Assess the requirements or capabilities that are needed to meet the BMMP mission and vision.

- Schedules should be developed based on meeting functional capability to manage the business of the DoD enterprise and not the timeframe that systems are completed.

- Need to know what capability was achieved with the completion and implementation of a particular system.

- A clear vision statement can drive this process.

4. Establish a Business Management CIO.

- By law NII must participate in the approval process of the BMMP systems through the OIPT process. The concern is that the DOD CIO tends to be more focused on the Operational issues than the business issues.

- Currently in OSD there are two different processes of ACAT 1 approval - one for weapons programs, and one for MAIS programs.

- While the criticality of each is important, the difference is essentially approving the warfighter's IT issues with their weapon systems vs the business backbone of the enterprise.

- A separate Business Management CIO may be appropriate to focus on business information issues. If not a separate CIO, then an individual who has a business-oriented understanding of the issues and alternatives in the governance of BMMP would make it successful.

Recommendations
(Governance)

5. **IRBs need to provide clear and coherent guidance regarding implementation of the Clinger Cohen Act.**

- No consistent definition exists across components for implementing CCA and each program manager provides their own interpretation.

- IRBs under the Approving Authorities need to provide a clear definition of what the CCA means and specifically require the OMB Exhibit 300B implementation for all major systems approved to ensure consistency in implementation and application.

- Also IRBs must have real teeth to their authority and must be able to force actions if plans are not met. The IRBs should provide a program review - not a budget review.

6. **Incorporate BMMP PEO into the transition plan.**

- The roles and responsibilities need to be defined and how this person interacts with the DBSMC, IRBs, and components and the overall transition expectations in the Interim Enterprise Transition Plan & Program Baseline.

- The program executive must be a real manager who will see the project through and he/she must possess an IT program management skill set.

- Same criteria for the BMMP transition lead.

<u>Recommendations</u>
(Approach)

7.   Establish definitions for capability portfolios.

- The use of Portfolio Management (PfM) is a key element to the success of the BMMP plan. The term Portfolio Management has numerous definitions and is poorly understood and managed at the component level.

- To date no one organization applies PfM the same way.

- If this concept is implemented, a clear definition and application must be applied.

8.   Utilize existing systems to gain momentum for the program.

- The capabilities of the DCD/DCW are extremely important and can be the key to future financial reporting success.

- Should be near the highest priority for the greatest value concept in the Transition Plan.

Recommendations

(Approach)

9.   Define <u>capability</u> risks and how to mitigate them.

- Current documentation of risk is at too high level. It focuses on the risk of component/activities not participating in the Transition plan.

- The real risk ought to be identified by capability:

   A.   What is the risk of achieving our mission if a capability or set of capabilities are not meeting schedule?

   B.   What is the risk of achieving our mission if a capability or set of capabilities are not meeting cost objectives?

   C.   What is the risk of the capability not existing due to technology immaturity or maturity?

APPENDIX B:

DoD Response on Implementation

of DBB Recommendations

DEPARTMENT OF DEFENSE RESPONSE TO
DEFENSE BUSINESS BOARD RECOMMENDATIONS ON BMMP

The nine DBB recommendations are listed below with their corresponding DoD responses.

1) Establish a clear and coherent vision.

The Department has recently released a new Enterprise Transition Plan that provides a clear and coherent vision. Our objective is to ensure that the right capabilities, resources and materiel are rapidly delivered to our warfighters: What they need, where they need it, when they need it, anywhere in the world. The Department is transforming its business and financial management infrastructure (processes, systems, and data standards) to meet this objective while enabling improved financial accountability. The Department plans to continuously transform business operations and mark steady improvement against regular milestones.

2) Establish short-term goals.

The Department's leadership understands that short-term goals are crucial to building a track record of success and momentum for this initiative. Accordingly, we have established six-, 12-, and 18-month milestones for each of six Business Enterprise Priorities. This information can be found in the Enterprise Transition Plan.

3) Define a capabilities/requirements timeline to drive systems availability.

The Business Enterprise Architecture defines the required capabilities and the Enterprise Transition Plan provides a capabilities-based timeline that will guide transformation. For every capability, the Enterprise Transition Plan has identified the systems and initiatives that will provide required improvements. We now have a complete picture of the major transformation efforts that will enable Defense leadership to make tradeoff decisions within and among programs.

4) Establish a business management Chief Information Officer.

As an alternative to a business management Chief Information Officer, the Department intends to create a new field operating activity or agency dedicated to business transformation. Until a director is identified, the organization will be co-lead by the Deputy Under Secretary of Defense (Financial Management) and the Deputy Under Secretary of Defense (Business Transformation). The organization will contain a senior acquisition executive (Defense Business Systems Acquisition Executive), a chief business architect, and a requirements activity aligned with the Office of the Secretary of Defense Under Secretaries.

5) Investment Review Boards need to provide clear and coherent guidance regarding the implementation of the Clinger-Cohen Act.

Rather than placing the responsibility of providing Clinger-Cohen Act guidance solely with the Investment Review Board, Clinger-Cohen Act guidance is being provided as follows:
- Each Core Business Mission support organization will provide guidance to meet the Clinger-Cohen Act Business Process Reengineering requirements.

- The Business Enterprise Architecture will provide the Clinger-Cohen Act required architecture, and the Transformation Support Office will issue associated architecture guidance.
- The Investment Review Boards will work with Office of the Secretary of Defense (Networks and Information Integration) and Office of the Secretary of Defense (Comptroller) to provide investment management guidance.

6) Incorporate Business Management Modernization Program Executive Office into the transition plan.

A Defense Business Systems Acquisition Executive has been established to fulfill this role. The Defense Business Systems Acquisition Executive will be accountable for program execution of all DoD enterprise level programs as detailed in the Enterprise Transition Plan. Program funding and resources will be centralized under the control of this executive.

7) Establish definitions for capability portfolios.

Capabilities management will be accomplished through the Business Enterprise Priorities and the allocation of capabilities to those priorities. Investment Review Boards are managing capability-based portfolios across components. The four Investment Review Boards now work together to manage cross-Core Business Mission investments.

8) Utilize existing systems to gain momentum for the program.

The use of existing systems to gain momentum is a core underpinning of the Enterprise Transition Plan, which is built upon dozens of existing and planned system implementation programs.

9) Define capability risks and a plan to mitigate them.

The Department has established tiered accountability and program management discipline to mitigate these risks. The current version of the Enterprise Transition Plan also defines risks for each Enterprise program. This information can be found in Volumes II & III of the Enterprise Transition Plan. Additionally, the proposed Business Transformation Agency will be responsible for monitoring progress and reporting to the Defense Business Systems Management Committee.